



State Senator

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District 36

My Reaction to the Governor's State of the State Speech

Normally, I am not too judgmental in these Updates, but I have to admit that I was somewhat disappointed with the tone of the State of the State speech offered by Governor Joe Kernan. The speech was well-delivered, but certainly did not address the present state of affairs in Indiana.

Thinking people realize that our society and government in Indiana are beset with a multitude of problems; job loss, bankruptcies, and all sorts of crime within the Bureau of Motor Vehicles being just a few, not to mention the approximately \$1.3 billion budgetary deficit facing the administration.

Governor Kernan glossed over these facts and chose to talk of new initiatives that he wants to put into place. Real present problems were ignored in favor of good-feeling sentiments.

One of the new programs that the governor wants to put into place is full-day kindergarten for each and every school district in the state. Presently, each district can offer either full or half-day kindergarten, but the state school distribution fund will only reimburse the schools for half-day. He proposed to reimburse schools only \$1500 per pupil, which would not cover the pay for the teacher in the classroom.

Such a state-wide program would cost the state an additional \$150 million per year. Governor Kernan proposed that he would divert \$30 million each year from the Teachers Retirement Fund. The administration earlier had taken over \$200 million from the Teacher Retirement Fund in order to balance the present budget. Other money would be appropriated from other areas of the state general fund and a significant amount would be collected as a tuition charge and be paid by the parents.

He further suggested that the legislature begin a process that would amend the Indiana Constitution so that additional monies could be gained from the Common School Fund, which is currently reserved for school building and renovation projects.

Looking back several years, the late Governor Frank

O'Bannon made the idea of having full-day kindergarten his number one priority in the fall campaign of 1996. He won, but the issue was not seriously discussed, nor offered, for several years. Four years later, the legislature did pass legislation that would offer the program state-wide, but for some reason his own Democrat allies removed the funding from the proposed budget.

The day before Kernan's speech, a committee that forecasts the proposed revenue that the state hopes to receive in future taxes reported that Indiana is still in a tough economic situation, and can expect to lose over \$300 million in anticipated revenue over the next 18 months. Even knowing this fact, the Governor still proposed a brand new \$150 million spending program.

The euphoria, and bounce back, of the nation's economy has not reached Indiana. Most states are experiencing fairly good fiscal times, but not Indiana. By a series of bookkeeping entries, borrowing, cutbacks, an increase of the cigarette tax, and other techniques, the state has stayed afloat.

I had hoped that Governor Kernan would have addressed the real state of affairs of Indiana. This did not happen. His request for "a line item veto ability" does not seem to me a proposal that addresses the inequities confronting Indiana's citizens.

In 2002, the legislature provided the administration with the tools to actively seek out new investments and new jobs for our state. Several old corporate taxes were eliminated, and plans to phase-out the inventory tax were started. Additionally, the legislature provided \$1 billion in property tax relief.

Because of these measures passed by the legislature, Indiana now can compete with any other state in the area of economic development. The legislature in 2002 also recognized the need for a more comprehensive look at economic development and has provided for a framework that will encourage future governors to use professionals to do the task. A public-private cooperative effort would go far to correct the ills of present programs for economic development and new job creation.

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BORST JANUARY UPDATE

Legislation Authored by Borst in 2004

Senate Bill 344

The Southport Little League missed a deadline to file as a not-for-profit organization and was assessed a \$21,000 tax bill. This bill would correct this error retroactively and allow the money to be reimbursed to the Southport Little League Corporation.

Senate Bill 441-Property Tax Matters

This bill completes the legislation that was passed and signed into law by the governor in December. SB 1 of the three-week session in November and December of last year needed a few minor changes in order to make the bill do what we all said the legislation should do. The House chose to pass SB 1 through its chamber without any amendments.

Senate Bill 491

The 2002 special session legislation requested that the legislature be informed of any technique, structure, or proposition that could totally eliminate property taxes. Many feel that the reliance on property tax to fund local and school government has gone too far. In fact, the legislature raised the sales tax one cent and dedicated the entire amount for property tax relief- approximately \$1 billion in all. Some legislators have described this measure as an attempt to begin the elimination of the tax on property.

\$8.5 billion in property taxes are collected throughout the state. Three cents of the sales tax in Indiana are dedicated for property tax relief, which adds up to about \$3.5 billion yearly. That means in order to totally eliminate property tax, there is a \$5 billion problem. This

amount can be replaced in a variety of ways. One can't simply eliminate the tax and not provide for replacement monies that are used to fund schools, police, fire and other services.

The Constitution of the State of Indiana does not allow for any increase in any tax to be written into a bill originating in the Indiana Senate. Therefore, SB 491 was offered as a vehicle for discussion. The synopsis of the bill also specifically exempts religious and governmental institutions from the payment of property tax.

What will come out of the discussion, I really can't say. I can only imagine that the resulting tax structure will not be acceptable to everyone. Any proposal in the future to eliminate the property tax will be offered by an enlightened governor. This may be the proper year for the citizens to inquire of the candidates for governor their stance on other methods of funding local government.



Senator Borst, pictured at left, meets with Beverly and Ron "Chilidog" Graphman to discuss transportation issues in his Senate office.

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